

STATE OF NORTH CAROLINA

TITLE V AIR QUALITY PERMIT PROGRAM

ACCOUNTABILITY REPORT

PURSUANT TO

N.C.G.S. 143-215.3A(c)

15A NCAC 2Q .0206(f)

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NOVEMBER 2009

DIVISION OF AIR QUALITY

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

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EXECUTIVE SUMMARY

The largest industrial facilities with emissions of air pollution in North Carolina are subject to the Title V permits program. The Title V program (referring to "Title V" of the Federal Clean Air Act Amendments of 1990), established in 1994, consolidates all Federal and state air quality regulations for a particular facility into a single permit. The Federal Clean Air Act requires the Title V program to be funded entirely from fees collected from those facilities.

The enclosed annual report discusses the costs and other aspects of North Carolina's Title V permit program.

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INTRODUCTION

North Carolina state law requires that the Department of Environment and Natural Resources (DENR):

“... shall report to the Environmental Review Commission and the Fiscal Research Division on the cost of the Title V Program on or before 1 November of each year. The reports shall include, but are not limited to, fees set and established under this Article, fees collected under this Article, revenues received from other sources for environmental permitting and compliance programs, changes made in the fee schedule since the last report, anticipated revenues from all other sources, interest earned and any other information requested by the General Assembly.” (NCGS 143-215.3A, attached as Appendix A)

This report describes the Title V Permit Program in North Carolina as carried out by DENR's Division of Air Quality (DAQ). The report focuses on funding and staffing issues. It does not cover Title V permit programs under the jurisdiction of local air pollution control programs in Buncombe, Forsyth, and Mecklenburg counties.

Congress established the Title V Permit Program under the Federal Clean Air Act (1990 Amendments), primarily as a way to consolidate all air regulations affecting major emitters of certain air pollutants (as defined in Section 501 of the Clean Air Act) into a single document. Under the Clean Air Act, Title V permits are required for certain industry groups as designated by the EPA as well as facilities that emit at least:

- 100 tons per year of any regulated pollutant, or
- 10 tons per year of any hazardous air pollutant, or
- 25 tons per year of any combination of hazardous air pollutants.

This Accountability Report includes:

- A discussion of program accomplishments and goals,
- A discussion of current issues affecting the Title V program,
- A detailed description of the Title V permit fee structure for calendar year 2010,
- A detailed, line-item budget for state fiscal year 2009,
- An account of Title V receipts and expenditures from state fiscal years 1992 to 2009,
- Various appendices, including a list of acronyms used in this report, and
- An organization chart for total staff in the Division of Air Quality and Title V related positions.

CURRENT STATUS AND RECENT ACCOMPLISHMENTS

A historical perspective of North Carolina's Title V Permit Program is included in Appendix B. This section focuses on the program's current status and recent accomplishments.

The Title V permit program encompasses the full range of activities associated with implementing the program, including:

- Reviewing applications for issuance, modification, and renewal of Title V permits
- Advising the regulated community on applicability issues
- Routinely inspecting permitted facilities
- Responding to citizens' complaints or concerns
- Gathering emissions inventory data and submitting to the EPA
- Operating a network of air monitors
- Performing public outreach, including issuing daily air quality advisories to citizens
- Long-range planning (including computer modeling) to achieve and maintain healthful air quality for future generations
- Working with legislators and appointed officials to ensure adequate statutory and regulatory authority to carry out the DAQ's mission
- Taking enforcement actions against violators, including assessing penalties, revoking permits, and taking legal action to close down the worst offenders

The DAQ has a total staff of 272 managers, engineers, scientists, technicians, and administrators. About 7% of the positions are vacant at any time due to turnover. Although almost every position in the Division has some Title V responsibility, the full-time equivalent (FTE) staff dedicated to the Title V program is about 122.65 positions. The remaining FTEs are responsible for non-Title V permits, area sources, mobile sources, and toxics programs; these activities are funded with receipts outside of the Title V program and are not the subject of this report. The DAQ staff size has been relatively stable for about ten years and no growth in staff is anticipated in the near future. The EPA has recently proposed a new rule to regulate carbon dioxide and other greenhouse gases, which could ultimately affect the Title V program. The effect of implementing this rule will be better understood after the rule is finalized in 2010.

DENR operates a Small Business Assistance Program, employs a Small Business Ombudsman, and appoints a Compliance Advisory Panel to conduct citizen overview of small business activity. Title V fees also fund these programs, although they operate independently of the DAQ.

The DAQ reports its activities to the US EPA on a federal fiscal year (FFY) basis. In the most recently completed FFY (October 1, 2008 through September 30, 2009), the DAQ has:

- Completed 314 permit actions (issued permits) for the regulated community,
- Inspected 100% of permitted Title V facilities (329 inspections),
- Issued 88 Notices of Violations (NOV) to 70 different Title V facilities, and
- Initiated 29 enforcement actions against 25 Title V facilities, resulting in penalties of over \$107,000 (penalties collected are transferred to local schools).

PROGRAM ISSUES

The most pressing issue facing the Title V program is its long-term funding, which forced the DAQ to undertake rulemaking in 2007 for the purpose of increasing the Title V fees. Other issues facing the program include:

- New Federal regulatory programs,
- New accounting procedures for timesheets,
- Process improvements recommended by the Office of the State Auditor, and
- Personnel issues, including potential retirements.

Title V Permit Fee Increases

The Clean Air Act requires the Title V permit program to be funded entirely through Title V permit fees. To ensure sufficient funds are available to adequately operate the Title V permit program, the DAQ completed a rulemaking process in 2007 that increased Title V permit fees. This was the first non-inflationary fee increase since the Title V permit program was established in 1994. No new positions were established by the fee increase.

Salary costs represent the major expense related to the Title V permit program. Employee fringe benefits, office space, and other support costs are paid from the Title V permit fees on a pro rata basis relative to the total positions in the Division and are subject to inflation. Title V permit fees had not kept up with these rising expenses.

Key events leading to the fee increase are listed below:

- The DAQ discussed the concept with affected industries in advance of the proposal. The DAQ received feedback from the regulated community on an early draft of the fee increase rule change and phased the increase over a longer period of time based upon that feedback.
- The DAQ presented the draft rule to the Environmental Management Commission (EMC) in September 2007.
- The DAQ held a public hearing in November 2007. The EMC did not receive any adverse comments on the proposed rule change during the public comment period on the proposed rule.
- The EMC approved the rule at its January 2008 meeting.
- The fee increases became effective March 1, 2008.

Appendix C discusses the fee increase in more detail. Appendix D contains the rule corresponding to the fee increase.

New Federal Regulatory Programs

Title V permits are valid for five years after issuance, but it is rare that a Title V permit expires without being modified. Oftentimes the permit is modified at the facility's request, due to an expansion or a change in its process. But revised Federal regulations are also responsible for

many permit modifications. Each of these modifications requires a careful review by a permit engineer.

A list of the most common Federal regulations that require modifications of permits includes:

- Maximum Available Control Technology (MACT),
- Reasonably Available Control Technology (RACT),
- Compliance Assurance Monitoring (CAM),
- Clean Air Interstate Rule (CAIR), and
- Best Available Retrofit Technology (BART).

Although listed on a single line above, a Federal regulatory program may actually entail dozens of different rules, each specific to a particular industry or industrial process. These rules are under constant change, due to new technologies, new science, court challenges, and other factors.

Additionally, the EPA:

- Has issued new national ambient air quality standards for fine particles,
- Has issued new national ambient air quality standards for ozone,
- Has issued new national ambient air quality standards for lead,
- Has proposed SO₂ and NO₂ standards,
- Has proposed a rule to regulate greenhouse gas emissions from major sources, and
- May promulgate regulations to revise the Title V permit program if mandated by potential Federal climate legislation(s).

The DAQ must modify its strategy to ensure attainment with each of these evolving standards and rules, which may require new regulations for existing and new industrial sources.

The primary reason new Federal regulatory programs are listed as a program issue is that new requirements impose continual challenge for an air quality engineer to maintain his/her expertise on emerging technologies and regulatory compliance. Losing experienced engineers and training new recruits is not only demanding for the Division, but can create delays in industrial expansion as permit process times are extended. Worse, it can expose citizens to unhealthy environmental conditions if an engineer misses a requirement that should be included in the facility's permit. In addition, recent budget restrictions have created staff shortages while the pressure to increase production remains high. These conflicting requirements have the potential to impact operational efficiency and product quality, both of which the DAQ is working hard to avoid.

New Accounting Procedures for Timesheets

In the summer of 2006, the US EPA conducted a routine review of the state's Title V program. The EPA was critical of the manner in which Division employees accounted for time spent on Title V work versus other work. Specifically, the EPA was concerned that non-Title V funds were potentially being used to fund Title V expenses. The Federal Clean Air Act requires that the Title V permit program be fully funded by Title V fees and no other funding sources. To be clear, the EPA did not specifically accuse the Division of misusing the funds, but they were

concerned about that potential. In response, the Division revamped its timesheet procedures beginning with the October 2006 pay period. Each employee was assigned two different funding codes (one Title V and one non-Title V), and was given a table of activities indicating which activities were to be charged to which funding code. Since the implementation of the revised timesheet procedures, EPA has not raised any other concerns. DAQ believes we have resolved this issue to EPA's satisfaction.

Process Improvements Recommended by the Office of the State Auditor

The annual report of November 2006 indicated that the DAQ would develop and research staffing levels in both the permitting section and the entire Division. The Director volunteered to allow the Office of the State Auditor to conduct an audit of the DAQ Central Office permitting procedures to gain insight into and improve efficiency in issuing Title V permits. The audit was performed in the spring of 2008. A large part of the audit was dedicated to improving permit cycle efficiency through the application of "Lean Office" methods. The Office of the State Auditor brought in the North Carolina State University (NCSU) Industrial Extension Service (IES) to provide a comprehensive Lean Office review of the permitting process and provide recommendations to improve cycle time. The audit results can be found on the North Carolina Office of the State Auditor's website at:

<http://www.ncauditor.net/EPSSWeb/Reports/Performance/PER-2007-7236.pdf>.

Based on the audit findings, the DAQ Permitting Section has integrated the following improvements:

- Initial managerial review of permit applications
- Increased interactions among permit engineers
- Integration of efficient permit review language
- Secured a contract with the Bureau of National Affairs, Inc. (BNA) for on-line availability of statutory and regulatory database

Over time, the staff has accepted the procedural changes and recognized the benefits added to the permitting process. Industry representatives have also provided positive feedback. Specifically, consultants have indicated that DAQ actions have allowed them to better respond to additional information requests on their permit applications. In October 2009, the Permitting Section provided the Office of the State Auditor a completed Implementation Review Questionnaire detailing the current status of the Section's operations relevant to the 2007 audit results. A copy of the questionnaire can be found in Appendix E of this document.

Personnel Issues, Including Potential Retirements

For the first time in its history, the DAQ is facing serious turnover among its managers and most-experienced technical staff. The air program was first established in the late 1960s and expanded in the '70s and '80s by hiring mostly young engineers, as there were very few experienced air quality engineers in those days. Those initial hires are now reaching retirement age. Within the past year, the Deputy Director, three Regional Office Supervisors, and several highly technical

senior staff, each with over 30+ years of service, have retired. In the coming years, DAQ anticipates retirement of additional senior staff, including the current Director.

The Division is concerned with losing this “institutional knowledge,” and also wants to ensure an orderly succession of its senior managers. As with other state agencies, many DAQ employees prefer to concentrate in one program area and develop specialized skills. This often leads to a lack of broader understanding of the air quality program needed in a senior manager.

To improve this situation, the Division has initiated a “rotation” program where employees are reassigned for six months to a position in another branch of the Division. The employees are expected to totally immerse themselves in the new position, leaving their former duties to another employee who has rotated into that position. The program is currently voluntary, and both managers and staff are eligible to participate. In two years, about twenty employees have participated, and the program has generally been successful. There are some productivity losses as participants move up the learning curve in their new position and as they develop working relations with the affected staff. However, participants have responded very positively to the new perspective they gain on how various work products of the Division fit together – which was a primary goal of the initiative. Other DENR divisions have taken notice and are interested in initiating their own rotation programs.

PERMIT FEES

2009 ACTUAL AND 2010 PROJECTIONS

The Federal Clean Air Act requires that the entire cost of the Title V Permit Program, including both direct and other related expenses, be funded by facilities' permit fees and that Title V permit fees be used only for the purpose of operating the permit program. The Clean Air Act set a presumptive minimum for the fees in 1990 of \$25 per ton of air pollutant emissions. Annually, EPA publishes an update to the presumptive minimum, which includes a cost-of-living increase. In October 2009, the EPA adjusted the presumptive minimum for inflation to \$43.83 per ton.

The Clean Air Act Advisory Council established by the North Carolina General Assembly recommended in 1992 that, because of the amount of work required to issue every Title V permit, regardless of the facility's emissions, half of the total title V fees come from an application fee (an annual flat fee for each permit) and the other half of the revenue come from annual per-ton charges.

Table 1 provides the projected receipts for DAQ for State Fiscal Year (SFY) 2009-2010 using the presumptive minimum and DAQ's system, which follows the recommendations of the Clean Air Act Advisory Council.

Table 2 provides actual Title V expenditures for SFY 2008-2009 using the fee structure effective for that period.

TABLE 1. 2010 CALENDAR YEAR PROJECTED TITLE V PERMIT FEES

ESTIMATES BASED ON PRESUMPTIVE MINIMUM

Title V Presumptive Minimum	274797 Tons	\$43.83	=	\$12,044,352.51
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ESTIMATES BASED ON NC FEES RULE

\$9,639,645.50

**Average Cost /Ton
based on NC fees**

\$35.08

NC Estimates (Based on calculations below)

% of Presumptive

80.03%

TITLE V	Annual Fees	<u>Permits</u>	<u>Fee Rate</u>	<u>Fee Subtotal</u>
	Basic	314	\$6,500.00	\$2,041,000.00
	Tons/Tonnage Factor (7/1/09-12/31/09)	137397	\$25.00	\$7,213,342.50
	Tons/Tonnage Factor (1/1/09-6/30/09)	137397	\$27.50	
	Non-Attainment	3	\$3,500.00	\$10,500.00
TITLE V	Application fees			
	Significant Modification	40	\$867.00	\$34,680.00
	Minor Modification	200	\$867.00	\$173,400.00
	Ownership Change	17	\$62.00	\$1,054.00
	New	3	\$8,910.00	\$26,730.00
	PSD or NSR/NAA	8	\$13,488.00	\$107,904.00
	PSD & NSR/NAA	1	\$26,235.00	\$26,235.00
	Construction Notices	24	\$200.00	\$4,800.00

**TABLE 2. TITLE V EXPENDITURES
STATE FISCAL YEAR 2009**

BD 701 JUN 2009

<u>Account #</u>	<u>Account Description</u>	<u>Expenditure</u>
531212	SPA-REG SALARIES-RECPT	6,069,097.27
531312	REG(N S) TEMP WAGES- RECP	1,291.83
531412	OT PAY - RECEIPTS	12,469.57
531412001	STRAIGHT-TIME OT - RECPT	-11,406.20
531422	HOLIDAY PAY - RECEIPTS	2,436.32
531452	DUAL EMPL WAGES - RECPTS	132
531462	EPA&SPA-LONGVTY PAY-REC	101,907.55
531512	SOCIAL SEC CONTRIB- RECPT	449,129.74
531522	REG RETIRE CONTRIB- RECPT	501,839.08
531562	MED INS CONTRIB-RECPTS	414,545.68
531576	FLEXIBLE SPENDING SAVING	10,436.65
531628	ST DISABILITY PMT- RECEIP	15,110.16
531631	WRKER COMP-MED PAYMENTS	151.49
532110	LEGAL SERVICES	170,828.17
532110016	SHERIFF FEES	585
532133	EMPLOYEE/EMPLOYMENT PHYSIC	8,897.05
532140	OTH INFORMATION TECH SVC	82,281.24
532160	ENGINEERING SERVICES	0
532170	ADMIN SERVICES	262.4
532170002	ADMIN SVC-TEMP AGENCY SV	0
532181	FOOD SER AGREEMENT	0
532181900	WRKSHOP/CONF EXP-FOOD SE	0
532183	LABORATORY SER AGREEMENT	0
532185	WASTE REM/RECY SER AGREE	114
532186001	SECURITY-SURVEILLANCE SV	0
532711	TRANSP AIR - IN STATE	0
532712	TRANS AIR-OUT STATE, IN U	1,190.21
532714	TRANSP-GRND - IN STATE	13,104.03
532715	TRANS GRND-OUT STA, IN US	237.3
532717	TRANSP OTHER - IN STATE	101.25
532718	TRANS OTH-OUTSTATE, IN	0

	U	
532721	LODGING - IN STATE	3,537.86
	LODGING-OUT STATE, IN	
532722	US	2,889.56
532724	MEALS - IN STATE	2,431.73
	MEALS-OUT OF STATE, IN	
532725	US	941.25
532727	MISC - IN STATE	272.75
532728	MISC - OUT STATE, IN US	124
532811	TELEPHONE SERVICE	396.64
532814	CELLULAR PHONE SERVICES	654.79
	POSTAGE, FREIGHT &	
532840	DELIV	2.34
	POST, FR&DEL-MAILING	
532840001	SVCS	757.82
	POST, FR&DEL-POSTAL	
532840003	METER	5,962.61
532850	PRINT, BIND, DUPLICATE	13,190.54
532860	ADVERTISING	0
532860007	ADVERTIS-NEWSPAPER	7,164.46
532911	PROPERTY-INSURANCE	0
532913	LIABILITY INSURANCE	0
532930	REGISTRATION FEES	3,655.00
	OTHER EMP EDUCATIONAL	
532942	EX	919
533110	GENERAL OFFICE SUPPLIES	95.8
	DATA PROCESSING	
533120	SUPPLIES	221.45
533150	SECURITY & SAFETY SUPP	3,136.55
533710	SCIENTIFIC SUPPLIES	0
533900	OTHER MATERIALS & SUPP	0.75
534210	BUILDING ACQUISIT COSTS	0
535113	COURT COSTS	4,510.00
535120	LICENSES & PERMIT COSTS	75
535900	OTHER EXPENSES	0
536929	OTHER CONT/GRT-ED-INST	22,475.65
536989	OTHER CONTRACTS/GRANTS	4,168.67
	I TFR TO 2728 CAPITAL	
5381PL	SE	8,264.45
538102	I TRANS TO DPPEA (1615)	5,829.83
	I TFR IND COST	
538108	1940/1430	0
538111	I TFR TO BC14300	126,229.00
	I TFR TO REG FIELD	
538129	OFFIC	9,896.00
	I TFR TO REG OFC-TITLE	
538144	V	305,282.51
	EXPENDITURES	8,377,827.80

TABLE 3. HISTORY
TITLE V FEES/ASSESSMENTS AND EXPENDITURES
(MILLIONS \$)

State Fiscal Year	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09
Carried Forward	0.0	0.6	1.8	1.7	2.8	4.5	5.5	5.7	5.4	4.8	4.5	5.6	4.7	4.1	3.4	1.9	0.8	0.4
Fees	0.9	3.9	3.5	6.3	7.9	7.6	9.3	7.8	7.9	8.7	9.1	7.7	8.2	7.9	7.8	7.6	7.8	8.9
Salary	0.1	0.9	2.3	3.6	4.2	4.7	5.1	5.8	6.0	6.4	5.9	6.0	6.2	6.7	7.2	7.7	7.5	7.6
Travel		0.1	0.0	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Supplies	0.1	0.3	0.1	0.2	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.5	0.2	0.1	0.1	0.1	0.1
Equipment	0.1	1.1	0.3	0.5	0.3	0.2	0.4	0.3	0.4	0.2	0.1	0.3	0.1	0.1	0.1	0.1	0.0	0.0
Contracts		0.3	0.4	0.2	0.1	0.2	0.3	0.1	0.3	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.1	0.2
Other (Rent, Utilities, Reg Office fund,etc)			0.3	0.4	0.7	0.6	0.9	0.8	0.8	1.2	0.7	0.9	0.6	0.5	0.4	0.1	0.0	0.1
Small Business Ombudsman's			0.2	0.2	0.3	0.3	0.1	0.3	0.3	0.3	0.3	0.4	0.1	0.1	0.0	0.1	0.0	0.0
Transfer to DENR Agencies					0.2	0.3	0.4	0.6	0.4	0.4	0.4	0.3	0.8	0.7	1.0	0.2	0.5	0.5
Total Expenses	0.3	2.7	3.6	5.2	6.2	6.6	7.5	8.1	8.5	9.0	7.9	8.5	8.8	8.7	9.2	8.7	8.2	8.4
Refund to Sources							1.6											
TO BE CARRIED FORWARD	0.6	1.8	1.7	2.8	4.5	5.5	5.7	5.4	4.8	4.5	5.7	4.8	4.1	3.3	2.0	0.8	0.4	0.9

**APPENDIX A: NC GENERAL STATUTES ON THE TITLE V PERMIT PROGRAM
(G.S. 143-215.3 and G.S. 143-215.3A)**

§ 143-215.3. General powers of Commission and Department; auxiliary powers.

(a) Additional Powers. – In addition to the specific powers prescribed elsewhere in this Article, and for the purpose of carrying out its duties, the Commission shall have the power:

(1d) The Commission may adopt and implement a graduated fee schedule sufficient to cover all direct and indirect costs required for the State to develop and administer a permit program which meets the requirements of Title V. The provisions of subdivision (1b) of this subsection do not apply to the adoption of a fee schedule under this subdivision. In adopting and implementing a fee schedule, the Commission shall require that the owner or operator of all air contaminant sources subject to the requirement to obtain a permit under Title V to pay an annual fee, or the equivalent over some other period, sufficient to cover costs as provided in section 502(b)(3)(A) of Title V. The fee schedule shall be adopted according to the procedures set out in Chapter 150B of the General Statutes.

- a. The total amount of fees collected under the fee schedule adopted pursuant to this subdivision shall conform to the requirements of section 502(b)(3)(B) of Title V. No fee shall be collected for more than 4,000 tons per year of any individual regulated pollutant, as defined in section 502(b)(3)(B)(ii) of Title V, emitted by any source. Fees collected pursuant to this subdivision shall be credited to the Title V Account.
- b. The Commission may reduce any permit fee required under this section to take into account the financial resources of small business stationary sources as defined under Title V and regulations promulgated by the United States Environmental Protection Agency.
- c. When funds in the Title V Account exceed the total amount necessary to cover the cost of the Title V program for the next fiscal year, the Secretary shall reduce the amount billed for the next fiscal year so that the excess funds are used to supplement the cost of administering the Title V permit program in that fiscal year.

§ 143-215.3A. Water and Air Quality Account; use of application and permit fees; Title V Account; I & M Air Pollution Control Account; reports.

(a) The Water and Air Quality Account is established as a nonreverting account within the Department. Revenue in the Account shall be applied to the costs of administering the programs for which the fees were collected. Revenue credited to the Account pursuant to G.S. 105-449.125, 105-449.134, and 105-449.43 shall be used to administer the air quality program. Except for the following fees, all application fees and permit administration fees collected by the State for permits issued under Articles 21, 21A, 21B, and 38 of this Chapter shall be credited to the Account:

- (1) Fees collected under Part 2 of Article 21A and credited to the Oil or Other Hazardous Substances Pollution Protection Fund.
- (2) Fees credited to the Title V Account.
- (3) Repealed by Session Laws 2005-454, s. 7, effective January 1, 2006.

(4) Fees collected under G.S. 143-215.28A.

(5) Fees collected under G.S. 143-215.94C shall be credited to the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund.

(a1) The total monies collected per year from fees for permits under G.S. 143-215.3(a)(1a), after deducting those monies collected under G.S. 143-215.3(a)(1d), shall not exceed thirty percent (30%) of the total budgets from all sources of environmental permitting and compliance programs within the Department. This subsection shall not be construed to relieve any person of the obligation to pay a fee established under this Article or Articles 21A, 21B, or 38 of this Chapter.

(b) The Title V Account is established as a nonreverting account within the Department. Revenue in the Account shall be used for developing and implementing a permit program that meets the requirements of Title V. The Title V Account shall consist of fees collected pursuant to G.S. 143-215.3(a)(1d) and G.S. 143-215.106A. Fees collected under G.S. 143-215.3(a)(1d) shall be used only to cover the direct and indirect costs required to develop and administer the Title V permit program, and fees collected under G.S. 143-215.106A shall be used only for the eligible expenses of the Title V program. Expenses of the Small Business Environmental Advisory Panel, the ombudsman for the Small Business Stationary Source Technical and Environmental Compliance Assistance Program, support staff, equipment, legal services provided by the Attorney General, and contracts with consultants and program expenses listed in section 502(b)(3)(A) of Title V shall be included among Title V program expenses.

(b1) The I & M Air Pollution Control Account is established as a nonreverting account within the Department. Fees transferred to the Division of Air Quality of the Department pursuant to G.S. 20-183.7(c) shall be credited to the I & M Air Pollution Control Account and shall be applied to the costs of developing and implementing an air pollution control program for mobile sources.

(c) The Department shall report to the Environmental Review Commission and the Fiscal Research Division on the cost of the State's environmental permitting programs contained within the Department on or before 1 November of each year. In addition, the Department shall report to the Environmental Review Commission and the Fiscal Research Division on the cost of the Title V Program on or before 1 November of each year. The reports shall include, but are not limited to, fees set and established under this Article, fees collected under this Article, revenues received from other sources for environmental permitting and compliance programs, changes made in the fee schedule since the last report, anticipated revenues from all other sources, interest earned and any other information requested by the General Assembly.

APPENDIX B: TITLE V HISTORICAL PERSPECTIVE

The Clean Air Act Amendments of 1970, reviewed and amended by Congress in 1977 and 1990, formed the basis of the federal air pollution control program currently in place. Health-based national ambient air quality standards are the strategic basis of the Clean Air Act. The standards were to be met through the application of control technology that would reduce emissions continuously and result in improved air quality. Costs of technological capability were to be subordinated to public health protection requirements. Also, all requirements were to be national, with no facility having a competitive edge by having to meet less stringent controls in any region of the U.S. The United States Environmental Protection Agency (US EPA) is responsible for carrying out the program.

Prior to the 1990 Clean Air Amendments, EPA set two kinds of National Ambient Air Quality Standards (NAAQS) specifying maximum acceptable levels of pollutants for outdoor air. Primary standards set limits that protect human health; secondary standards provide welfare protection (i.e. plants, animals, aesthetics and materials). EPA set primary and secondary standards for six criteria pollutants: carbon monoxide, nitrogen dioxide, lead, sulfur dioxide, ozone and particulates. Eight substances were listed as hazardous air pollutants: asbestos, beryllium, mercury, vinyl chloride, radionuclides, inorganic arsenic, benzene, and coke oven emissions. National Emissions Standards for Hazardous Pollutants (NESHAPS) were promulgated for sources of seven of these pollutants.

Most air pollution comes from either stationary sources, such as factories, power plants and smelters, or mobile sources such as cars, trucks and airplanes. To limit mobile source pollution, controls were established for automobile emissions. EPA also set standards that applied to new industrial plants and existing ones that were substantially modified. Additionally, state governments were required to draw up State Implementation Plans (SIPs) that set out other measures to achieve acceptable air quality.

Under the Federal Clean Air Act Amendments of 1990, Congress mandated the Title V Permit Program primarily for regulating major air pollution sources; that is, sources with greater than 100 tons per year of the six criteria air pollutants and/or greater than 10 tons per year of any of the 189 Hazardous Air Pollutants (HAPs) or 25 tons per year of combined HAPs.

In North Carolina, the General Assembly enacted laws in 1991 and 1993 authorizing the Title V program. The legislature also established the North Carolina Clean Air Act Advisory Council to develop the programs needed to comply with the Clean Air Act, including the structure of the Title V permit fees. The Clean Air Act Advisory Council issued a final report in August 1992, and the Environmental Management Commission followed the council's recommendations in adopting rules for the state Title V Permit Program in 1994. The EPA gave interim approval to North Carolina's Title V Permit Program on December 15, 1995, with final approval pending certain rules changes, which were submitted to EPA in a timely manner. EPA gave final approval in October 2001. The Division of Air Quality started receiving Title V permit applications after EPA's interim approval of the program on December 15, 1995. Facilities were given until December 1996 to submit their applications or they would be considered in violation of the permitting rules. Applications received during the aforementioned timeframe were processed as "Initial Title V Applications" and all other

Title V applications received after December 1996 were processed as “First Time Title V Applications.” By January 1998, DAQ had 475 Title V applications under review.

The DAQ in implementing the program was required to issue permits to existing major stationary facilities. The DAQ issued all permits to all existing facilities by the end of 2004. The DAQ is also required to issue permits to new major stationary facilities, and to renew permits for each existing facility on a five-year basis.

Implementation of the 1990 CAA

Since program approval, the DAQ has processed (closed-out) a total of 5,363 new, modified and renewal applications. The DAQ has issued 98 First Time Title V permits and is currently reviewing 342 (112j) applications. Currently, DAQ has 314 operating facilities classified as Title V facilities.

Accomplishments

1. The DAQ has established a Title V Permit Program based on rules adopted by the EMC (15A NCAC 02Q .0500). The program meets the requirements of state law (N.C.G.S. §§143-215.3 and 143-215.108) that authorized the program in North Carolina and set up the North Carolina Clean Air Act Advisory Council. The EPA gave interim approval to the program in 1995, and following the DAQ’s revision to the Title V regulations, EPA gave final program approval in October of 2001.
2. In 2002 the DAQ revised the Title V application forms including the development of special forms for the renewal of Title V permits. These revised forms are intended to facilitate the application process, and they have been placed on the Division’s website <http://www.ncair.org/>
3. The Federal Clean Air Act requires that Title V permit holders pay fees sufficient to cover the cost to administer the permitting program. The DAQ has developed and maintained a permit and emissions fee schedule that has historically generated an appropriate amount of revenue to carry out the Title V permitting program. The DAQ will continue to evaluate the fee structure to ensure that the necessary fees are collected.

In 1994, the DAQ conducted its first comprehensive emissions inventory for facilities in North Carolina. This comprehensive inventory process was repeated every three years for all non-Title V facilities until January 2003, when the inventory requirement was changed to every five years for non-Title V facilities. Title V facilities continue to be required to submit an inventory annually by June 30. This emission information is stored on a computer database that DAQ uses to calculate fees, for use in regulatory planning, and for monitoring compliance. The DAQ has developed an electronic on-line inventory reporting system that has been available to Permittees since 2003.

Beginning with the submittal of calendar year 2009 emission inventory data, EPA through the promulgation of the Air Emission Reporting Requirements (AERR) rule has changed two previous requirements. The emission inventory submittal deadline was shortened from 17 months to 12

months after the end of the reporting year's end. DAQ staff now must receive, review and approve the emission inventory data submitted by facilities then convert to the format that EPA requires for submission, run the converted data through EPA's QA procedures, correct the data if necessary and submit it within six months. In previous years, DAQ staff had eleven months to accomplish this task. AERR also requires that all major sources that have the potential to emit more than 100 tons of any criteria pollutant report annually whereas the previous rule required all major sources to report actual emissions over 100 tons of any criteria pollutant. DAQ submits all emissions data for all facilities that report in a given calendar year.

DAQ's computer database is now used for compliance tracking through recording of facility inspections, required reporting and compliance and enforcement actions, permit activities and document storage (inspections, permits, correspondence, etc) as well as emissions data storage, fee calculation and regulatory planning. Title V Annual Compliance Certification reports, any periodic reporting required by a DAQ Air Permit, stack or source tests and enforcement actions are all now tracked through this computer database.

The DAQ has provided a range of options to qualify facilities as non-Title V facilities. Many facilities have taken advantage of these options, which is one of the reasons why the number of Title V facilities is much less than initial estimates; that is, 314 operating Title V facilities now versus the 2000 estimated in the Clean Air Act Advisory Council's Final Report. For example, the DAQ established the synthetic minor program so facilities could avoid the Title V permitting program by taking permit emission limits and/or operating restrictions. Also, the EMC adopted and EPA approved exclusionary rules to allow reasonable potential emission calculations in cases where standard methods would produce unreasonably high potential emissions; thus subjecting such facilities to Title V permitting requirements.

APPENDIX C: HISTORY - TITLE V PERMIT FEE INCREASE

The following discussion was included in the November 2007 and 2008 reports. It is presented here in its entirety as a historical reference.

Chronological Events Related to the Fee Increase Rule

- Went to public hearing on November 7, 2007,
- Was approved by the Environmental Management Commission on January 10, 2008,
- Was discussed and received a favorable report by the Joint Legislative Commission on Governmental Operations' Subcommittee on Transportation/Natural and Economic Resources on February 5, 2008 and the full committee on February 6, 2008,
- Approved by the Rules Review Commission on February 21, 2008, and
- Became effective on March 1, 2008 (see Appendix D for final rule).

Introduction

The Clean Air Act requires the Title V permit program to be funded entirely through Title V permit fees. Funding for the Title V permit program expenses is required to be available prior to disbursement and must be sustainable.

The General Assembly approved salary increases for state employees in 2006 and 2007. Salary costs represent a major expense related to the Title V permit program. There have also been annual increases in costs such as office space, utilities, and other support costs. The Title V permit program costs increased by 7.3 percent and 6.8 percent for fiscal years 2006 and 2007.

The Division of Air Quality (DAQ) collects Title V permit fees throughout the year and experiences fluctuating operating fund balances. In 2003, the balance brought forward represented 66 percent of annual cash disbursements, 54 percent in 2004, and 21 percent in 2007. The projected balance to be carried into 2008 is 9 percent of cash disbursements made in 2007. This balance will not be sufficient to fund and operate the Title V permit program. The Title V permit program account could potentially run into deficits in 2008 unless additional fees are collected.

Due to these added expenses and the requirement to fund the permit program entirely with the fees collected from the Title V facilities, DAQ has begun a rulemaking process to increase the fees to a level sufficient to fund the program at its current level for the foreseeable future. No new positions are established by the proposed fee increase. If Title V permit fees fail to match Title V operating permit program costs, operating costs are legally required to be reduced to match Title V permit fees. Reduced assets (less Title V funded positions) will influence service response time for Title V permits and the level of effort available to conduct thorough compliance facility inspections. An adequate Title V permit program ensures that the State can retain experienced engineers to issue accurate permits in a timely manner and experienced field inspectors to ensure that facilities are operating in accordance with those permits.

Description of Amended Rules

15A NCAC 02Q .0203, Permit and Application Fees, updates calendar year 1994-based fees that are applicable to Title V air pollution sources. The tonnage factor fee is being raised in four steps beginning on the rule effective date, until it reaches \$30.00 per ton on January 1, 2011. A stepped approach was used to increase the Title V tonnage factor fee as recommended by the regulated community. This approach was chosen, opposed to a single large increase, to minimize the sudden impact to the subject fee payers. The related basic permit fee and nonattainment area added fee are being raised to \$6,500 and \$3,500, respectively.

15A NCAC 02D .0204, Inflation Adjustment, describes the method used for calendar year inflation adjustment of these Title V Permit and Application Fees. This inflation adjustment will be placed on hold until after the phased increase of the tonnage fee in 02Q .0203 is complete.

Authority

Please see Appendix B for reference documents that outline DAQ's authority to adopt fee schedules.

Motivation for the Proposed Rules

The reason for this action is to modify annual permit fees for Title V facilities and the inflation adjustment to ensure that the Clean Air Act requirements associated with the Title V permit program are met. This action is needed to ensure the current level of service quality in the Title V permit program is maintained into the foreseeable future. A fee adjustment will help ensure that the needs of the public, the environment, and industry are met.

"Title V" is the permitting program for major emitters of air pollution. "Title V" refers to Title V of the Federal Clean Air Act. The Clean Air Act requires the Title V program to be funded entirely through Title V permit fees. The United States Environmental Protection Agency (U.S. EPA) audited North Carolina's Title V program in June 2006. They found the technical aspects of the program to be satisfactory, but they did raise questions about whether or not permit fees were paying the entire cost of the program.

The current State rules allow annual permit fees for Title V facilities to be adjusted each year for inflation. However, from 2002 to 2006, no increases were made. Separately, the General Assembly approved salary increases for state employees (almost 10% over two years). No appropriations are made to the DAQ for these salary increases, which amounted to annual recurring expenses to the division of \$2 million; these expenses must be paid out of Title V receipts and other non-appropriated funds that DAQ receives. Salary costs represent a major expense related to the Title V program. However, salary increases represents only a portion of costs associated with the Title V program expenses. Salary increases cause the Division's retirement and social security payments to increase. Employee fringe benefits, office space, and other support costs are subject to inflation. Title V costs increased by 7.3 percent and 6.8 percent for fiscal years 2006 and 2007. Funding for the Title V program cost increases is required to be available prior to disbursement and must be sustainable.

Additionally, there is a financial and operational need to carry a forward balance each year to operate the Title V program. Fee receipts are paid annually by facilities throughout the calendar year. In 2003, the balance brought forward represented 66 percent of annual cash disbursements, 54 percent in 2004, and 21 percent in 2007. The projected balance to be carried into 2008 is 9 percent of cash disbursements made in 2007. This balance will not be sufficient to fund and operate the Title V program.

The combination of the Title V fee not keeping up with inflation and the salary and benefit and operational cost increases has seriously depleted the Title V account – in fact, the account could potentially run into deficits in 2008 unless additional fees are collected. The proposed rule will increase Title V receipts to allow the account to “catch up” to an adequate funding level. This will also enable the Division to demonstrate to the U.S. EPA that the program is entirely funded through permit fees, as required by the Clean Air Act. No new positions are established by the proposed fee increase.

Adequate funding of the Title V program is important to North Carolina’s major industries and the environment. An adequate Title V program ensures that the State can retain experienced engineers to issue accurate permits in a timely manner and experienced field inspectors to ensure that facilities are operating in accordance with those permits. It is especially important to maintain the Title V permit program as the U.S. EPA has recently tightened the daily particulate standard, has proposed tightening the ozone standard, and is considering establishing greenhouse gas standards.

A Title V facility’s annual fee consists of two or three parts:

- a flat basic permit fee,
- a variable tonnage fee that depends on the facility’s actual emissions, and
- a flat, nonattainment area added fee which is applicable only to Title V facilities required to comply with 15A NCAC 02D .0531, 15A NCAC 02D .0900 (Volatile Organic Compounds), or 15A NCAC 02D .1400 (Nitrogen Oxides) and either are in an area designated in 40 CFR 81.334 as nonattainment; or are covered by a nonattainment or maintenance State Implementation Plan submitted for approval or approved as part of 40 CFR Part 52, Subpart II.

Identification of the Affected Sources

Amendments of the Annual Permit Fees in 15A NCAC 02Q .0203 and the Inflation Adjustment in 15A NCAC 02Q .0204 will increase the Title V permit fees of all facilities regulated by the State air quality agency. It does not affect facilities regulated by three local air agencies (Mecklenburg County, Forsyth County, and Western North Carolina). The local air agencies set their own Title V fee amounts.

Establishment of the Baseline

The current State rules allow annual permit fees for Title V facilities to be adjusted each year for inflation using a Code of Federal Regulation method that is based on the Consumer Price Index (CPI). The fee was initially set at \$14.63 in 1994, and is currently \$18.10. The current basic permit

fee is \$6,311 and the nonattainment area added fee is currently \$3,297. The fees charged in 2007 represent the baseline for the purpose of this rulemaking.

Changes from the Baseline

Examining the current size of the Title V industry in North Carolina, the size and cost of the regulatory staff needed to service that industry, and then spreading those costs across industry by the amount of pollution they emit established the proposed fee changes, as shown below.

Year	Tonnage Fee	Basic Permit Fee	Nonattainment Area Added Fee (if applicable)
2007	\$18.10	\$6,311	\$3,297
2008	\$22.50	\$6,500	\$3,500
2009	\$25.00	\$6,500	\$3,500
2010	\$27.50	\$6,500	\$3,500
2011	\$30.00	\$6,500	\$3,500
2012 and thereafter	Annual CPI increase	Annual CPI increase	Annual CPI increase

The following table summarizes revenues raised by the proposed tonnage fee increase. In addition, each facility's basic fee would rise by \$189/year, and, if located within a nonattainment area, their added fee would rise by \$203/year.

Year	Proposed Tonnage Fee	Total Revenue ⁽¹⁾	Total Impact on All Sources	Impact on Largest Sources ⁽²⁾	Impact on Small Sources ⁽³⁾
2007	\$18.10	\$5,430,000	(Not applicable)		
2008	\$22.50	\$6,750,000	\$1,320,000	\$72,600	\$330
2009	\$25.00	\$7,500,000	\$2,070,000	\$113,850	\$520
2010	\$27.50	\$8,250,000	\$2,820,000	\$155,100	\$710
2011	\$30.00	\$9,000,000	\$3,570,000	\$196,350	\$890
2012+ ⁽⁴⁾	\$30.60	\$9,180,000	\$3,750,000	\$206,250	\$940

⁽¹⁾ "Total Revenue" is calculated by multiplying the tonnage fee by 300,000 tons, a "typical" annual amount based on major source air permits.

⁽²⁾ Tonnage fees for the largest sources are capped at 4,000 tons per pollutant. The state's three largest sources were each billed for about 16,500 total tons of six different pollutants in their most recent annual bill. Annual increase is the fee increase multiplied by 16,500 tons.

⁽³⁾ Small Business Title V facilities having less than 75 tons of all pollutant in their most recent annual bill. Annual impact is the fee difference from baseline multiplied by 75 tons.

⁽⁴⁾ In 2012 and later years, an annual CPI would be applied. A 2% increase is shown for illustration purposes.

Estimating the Cost to the Existing Affected Sources

A. Summary of Costs/Savings Incurred by the Affected Private Sector Sources:

Industrial facilities holding Title V permits typically emit more than 100 tons per year of a specified air pollutant. These facilities are charged an annual tonnage fee up to 4,000 tons per year per pollutant (i.e., a facility emitting 10,000 tons of a pollutant would pay the same as a facility emitting 4,000 tons of that pollutant). Although most Title V facilities are very large, a facility that emits certain hazardous air pollutants may hold a Title V permit for having the potential to emit as little as 10 tons per year. Thus, the very largest facilities would see their annual tonnage fee per pollutant rise from \$72,400 in 2007 to \$90,000 in 2008. Additionally, all facilities, regardless of size, would see their basic permit fee rise from \$6,311 to \$6,500. Those facilities within a nonattainment area would also see that added fee increased from \$3,297 to \$3,500.

B. Costs to Small Business:

A small business as defined by the Office of State Budget and Management (OSBM) is a business entity, including its affiliates, that is independently owned and operated, employs fewer than 500 employees or has gross annual sales of less than \$6 million. A Title V facility has a potential to emit 100 tons of a single pollutant or 10 tons of a hazardous air pollutant or 25 tons of more than one hazardous air pollutant. There may be facilities that meet the OSBM definition of “small business” that are regulated as Title V facilities. The Clean Air Act does not exempt them from paying Title V fees but the fees can be reduced as noted in G.S. 143-215.3(1d) (see Appendix B).

Typically, the Title V program covers larger businesses, but applicability is dependent on potential emission levels rather than business size. Some smaller businesses, such as manufacturers of bricks, fiberglass, foam rubber, plastics, pharmaceuticals, and textiles along with smaller surface coating operations and landfills, are subject to the Title V program because their potential emissions are high enough to trigger Title V thresholds.

The Clean Air Act defines a “Small Business Stationary Source” as a stationary source that employs less than 100 employees and emits less than 75 tons per year of all regulated pollutants. In absence of employment data, and exclusively judging by emissions data, approximately 25% of the Title V sources in North Carolina emit less than 75 tons per year of all regulated pollutants. The total billable emissions from these 85 Title V facilities represent less than one percent of the total financial impact from increasing the Title V tonnage and permit fees. The average impact to these smaller Title V sources would be \$330 in 2008, based on an average of 33 tons per year, for both annual permit fees and tonnage fees. The following table summarizes the aggregate and average impacts on small business stationary sources.

Year	Fee Impact on Smaller Sources	Average Fee Impact
2008	\$28,300	\$330
2009	\$35,300	\$420
2010	\$42,300	\$500
2011	\$49,200	\$580

Currently, facilities are not required to provide the data (e.g., number of employees, annual sales) in their permit application that would enable DAQ to identify which Title V facilities meet the OSBM and/or Clean Air Act definition of “small business.” DAQ will look into the possibility of including that data element in future permit applications.

Conclusion

Title V facilities subject to fee increases will experience total aggregate impacts of \$3,750,000 in 2012, based on this economic analysis. This aggregate impact is considered substantial as defined in North Carolina’s Administrative Procedures Act in NC § 150B-21.4 *Fiscal notes on rules*. The amendment to the Title V Annual Permit Fees in 15A NCAC 02Q .0203(a) will ensure that the North Carolina Title V Permit Program complies effectively with federal Clean Air Act requirements.

APPENDIX D: 15A NCAC 2Q .0203 PERMIT AND APPLICATION FEES

(a) The owner or operator of any facility holding a permit shall pay the following permit fees:

ANNUAL PERMIT FEES

Facility Category	Tonnage Factor	Basic Permit Fee	Nonattainment Area Added Fee
Title V	\$22.50 upon Rule effective date; \$25.00 on 01/01/2009; \$27.50 on 01/01/2010; \$30.00 on 01/01/2011 and thereafter.	\$6,500	\$3,500
Synthetic Minor		\$1,500	
Small		\$250	
Transportation		\$0	
General	50% of the otherwise applicable fee		

A facility, other than a Title V facility, which has been in compliance is eligible for a 25 percent discount from the annual permit fees as described in Paragraph (a) of Rule .0205 of this Section. Annual permit fees for Title V facilities shall be adjusted for inflation as described in Rule .0204 of this Section. Annual permit fees for Title V facilities consist of the sum of the applicable fee elements.

**APPENDIX E: IMPLEMENTATION REVIEW QUESTIONNAIRE ON THE STATE
AUDITOR'S RECOMMENDATION
ON
TITLE V AIR QUALITY PERMIT REVIEW PROCESS**

OCTOBER 2009

1. Staffing Level:

December 2007 32 FTEs

July 2009 30 FTEs

2. Average Processing Time

December 2007 421 Days

July 2009 410 Days

- Average processing time is for TV-Renewal/Modification and TV-Significant issued permits ONLY
- Average processing time has not changed significantly due to processing older renewals that still contribute to this high number.
- Processing time for TV-Renewals received and issued during the period from January 1, 2008 to July 1, 2009 is **137 days**. This is a significant improvement due to dedicated engineers reviewing renewals only and implementing Lean process improvements (Kaizen Actions).

3. Permit Application Backlog

December 2007 229 Applications

July 2009 335 Applications

- This "Backlog" number can be misleading since it represents all TV applications in-house at any point in time due to regulatory requirements and economic development outside of our control.
- Of the 335 TV applications, 120 applications were due to Federal mandates for applications.
- Other unexpected mandates for applications include such events as CAIR, 112(j), CISWI, combustion air toxics, RACT, numerous court challenges, high visibility permit applications, and an unusually high number of PSD applications.

4. LEAN Committees

There is only one lean implementation committee made up of nine members including supervisors and engineers. Initially most committee members committed to being responsible for implementing one or more of the process improvements discussed below. While formal meetings were held in January 2008 (to kickoff the effort) and July 2009 (as a six month follow-up) the remaining communications took place in person or via electronic mail.

	Name	Last Meeting
a.	_____	_____
b.	_____	_____
c.	_____	_____
d.	_____	_____

5. Key Employee Turnover since 1/1/2008

	Name
a.	<u>Mike Benson – Engineer II; May 29, 2009; Not yet replaced due to budget considerations.</u>
b.	_____
c.	_____

6. Have *standardized review methods* been established? No

The proposed concept of finding applications that could be “rubber stamped” was determined to be inconsistent with the mission of DAQ.

7. Has *standardized wording* been implemented? The Permitting Section has always used a permit “shell” that contained standardized language to be used in writing permits. Following the Lean Office process, the Section identified some additional standardized language that can be used in many of the permits being issued. This process continues, where possible, as new regulations are promulgated necessitating their inclusion in our air quality permits. In addition, as engineers develop permit conditions for specific applications, these are being shared among engineers to reduce duplication of work.
8. Has a *managerial review of the permit or renewal application at the beginning of the technical review in conjunction with the review engineer* been instituted? The Permitting Section has instituted a “triage” process whereby targeted applications are briefly reviewed by the assigned engineer and two supervisors within approximately two weeks of receipt. This process is intended to identify major issues with the permit application that could result in an

immediate return of the application; this happens very rarely. More often, the review process uncovers any deficiencies in the permit application that are included in an additional information request within a few days following the review. Any obvious administrative or minor deficiencies, where observed, are included in the information request to make that request as comprehensive as possible. We have received positive feedback from the applicants and consultants on this approach. We are told that addressing these issues within a few weeks of submitting the application allows them to respond while that particular application is still fresh on their minds making their development of a response more effective.

9. Has a *defined response time been put into effect*? Yes, The Permitting Section currently requires responses within 30-days.
10. Is the *defined response time being enforced*? The 30-day requested response time was not strictly tracked and enforced before December 2007 and the engineer would continue to work through other permit applications while waiting beyond the 30-day period. The Section now does a much better job of tracking the due dates and following up with an e-mail for those facilities that have not provided any information related to the additional information request. Those e-mails indicate that the Permitting Section will return the permit application within one week of the e-mail if the requested information is not received. This second request typically elicits a response, even if it is only to open a dialogue clarifying (if needed) the required information. While we do not have quantitative data showing the effectiveness of this modified process, anecdotal evidence shows that applicants are responding more quickly to the initial information request.
11. Any measurement on the overall amount of time required to process an application? Unknown

As discussed during the audit and Lean Office workshop, no two applications are the same. As a result, there are far too many variables that go into determining how long any given application resides in our process. Implementing additional process improvement steps that are within our control, as outlined below, reduces the overall processing time.

12. Additional Process Improvement Steps:

Y or N	A strategy meeting with a permit supervisor
Y or N	Improved work sharing between permit writers
Y or N	Standardization of permit content
Y or N	Permit consolidation process

13. Additional process quality improvement steps? The Permitting Section has developed the following tools for use by permit applicants:

- Title V Permit Application Checklist (<http://daq.state.nc.us/permits/>),
- Compliance Assurance Monitoring (CAM) Plan Form E6 (<http://daq.state.nc.us/permits/files/newforms/E6.pdf>),
- Listing of Title V permits on the Division website (http://daq.state.nc.us/permits/TV_permits/),
- Specific permitting tools for 112(j)-affected sources to lessen the unanticipated burden of 112(j) permitting requirements for vacated MACT standards (<http://daq.state.nc.us/permits/112j/>),
- Dedicated renewal engineers have been identified and taken off modifications.
- E-mailing additional information requests and final permits to applicants to avoid mail time.

14. Have the improved process improvements been fully implemented?

The process improvements were targeted for the four quarters of 2008. During that time we have essentially completed the majority of the proposed improvements. One important concept of the Lean Office process and quality is continuous improvement. While the Permitting Section has made many positive changes, we continue to look for more opportunities to improve our customer service.

15. Need copy of relevant performance measures on the key improvement areas

We are not sure what is being asked for by this question that is not provided above. If there is other information needed or specific clarifications on the information provided, please let us know.

APPENDIX F: ACRONYMS

BART	Best Available Retrofit Technology
CAIR	Clean Air Interstate Rule
CAM	Compliance Assurance Monitoring
CAMR	Clean Air Mercury Rule
CFR	Code of Federal Register
DAQ	Division of Air Quality
DENR	Department of Environment and Natural Resources
EMC	Environmental Management Commission
EPA	Environmental Protection Agency
ERC	Environmental Review Commission
FTE	Full Time Equivalent
FFY	Federal Fiscal Year
GACT	Generally Available Control Technology
HAP	Hazardous Air Pollutant
IES	Industrial Extension Service
MACT	Maximum Available Control Technology
NAAQS	National Ambient Air Quality Standard
NCAC	North Carolina Administrative Code
NCGS	North Carolina General Statutes
NCSU	North Carolina State University
NESHAPS	National Emissions Standards for Hazardous Pollutants
NOV	Notice of Violation
PE	Professional Engineer
RACT	Reasonably Available Control Technology
SIP	State Implementation Plan
USEPA	United States Environmental Protection Agency

APPENDIX G: ORGANIZATION CHART EXPLANATION

The organization chart shown in this document lists all the positions authorized by State Personnel for the Division of Air Quality. Noting the requirement that all Title V work be funded by Title V fees, each employee is required to code his/her time sheet indicating the amount time spent on different functions. Accordingly, approximately 10% of the division's employees spend all of their time completing Title V tasks, and the other 90% of the staff will spend a portion of their time completing Title V tasks.

A work group established by the Division Director reviewed the work requirements of the Division's employees and determined that 122.65 FTE's are needed to complete Title V work on an annual basis.





























